



NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

Fiscal Analysis Memorandum

CONFIDENTIAL

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RE: PCS to H114

SUMMARY TABLE

FISCAL IMPACT OF H.B. 114, V.1 (\$ in millions)					
	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
State Impact					
General Fund Revenue	12.0	191.0	136.7	137.7	143.2
Less Expenditures	-	-	-	-	-
General Fund Impact	12.0	191.0	136.7	137.7	143.2
NET STATE IMPACT	\$12.0	\$191.0	\$136.7	\$137.7	\$143.2

FISCAL IMPACT SUMMARY

The PCS to HB 114 adds Prepaid Health Plans to the organizations that are subject to the gross premiums tax. Capitation payments for the Medicaid and NC Health Choice programs would be subject to the 1.9% gross premiums tax.

FISCAL ANALYSIS

Gross Premiums Tax

Estimated payments for gross premiums tax are made on a calendar year basis in April, June and October. The payments are based on tax liability for the previous year. A final payment or refund is due in March of the subsequent year for any remaining tax liability or overpayment.

The Department of Health and Human Services (DHHS) provided Fiscal Research (FRD) with estimates of capitation payments for each month beginning in November 2019. The tax revenue estimates reflect the 1.9% tax rate applied to the capitation payments. The timing of tax payments is based on the schedule for estimated and final payments.

The tax revenue estimate for FY 2019-20 reflects a partial implementation of the PHP program in 2 of 6 regions of the State, as well as estimated payments in 2020 that are based on 2 months of



collections for 2019. The estimate for FY 2020-21 reflects large final payments in March 2021 to off-set the low 2020 estimated payments. Tax revenue for subsequent years reflects estimated payments based on a full year of tax liability, 1% population growth, and 3% growth in capitation payments.

Insurance Regulatory Charge

The Insurance Regulatory Charge is applied to gross premiums tax liability and is used to pay expenses related to regulating the insurance industry. The rate is set each year by the General Assembly based on the amount of revenue needed to offset the operating costs of the Department of Insurance. The current rate is 6.5%. The additional gross premiums tax revenue generated by this bill will be taken into consideration when determining the rate necessary to fund Departmental operations for the upcoming year.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

Dept. of Health and Human Services

FISCAL ANALYSIS MEMORANDUM – PURPOSE AND LIMITATIONS

This document is a fiscal analysis of a bill, draft bill, amendment, committee substitute, or conference committee report that is confidential under Chapter 120 of the General Statutes. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts. This document is not an official fiscal note. If a formal fiscal note is requested, please email your request to the Fiscal Research Division at FiscalNoteRequests@ncleg.net or call (919) 733-4910.

